

Message Text

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TAGS: EMIN, EI

SUBJECT: AGREEMENT REACHED ON DEVELOPMENT OF NAVAN ORE DEPOSIT

REF: DUBLIN 1194

1. AGREEMENT WAS FINALLY REACHED FEBRUARY 14 BETWEEN JUSTIN KEATING, IRISH MINISTER FOR INDUSTRY AND COMMERCE, AND TARA MINES FOR THE DEVELOPMENT OF THE RICH NAVAN LEAD/ZINC ORE DEPOSITS, BELIEVED TO BE THE LARGEST IN EUROPE. THE AGREEMENT, WELCOMED BY ALL WITH A SIGH OF RELIEF, BROUGHT TO A CLOSE MONTHS OF POLITICALLY CHARGED NEGOTIATIONS AND LEGAL ACTIONS. NOW THAT AGREEMENT IS REACHED, THE MINES COULD BE IN OPERATION IN AS LITTLE AS 18 MONTHS ON TERMS THAT WOULD GIVE THE STATE APPROXIMATELY TWO THIRDS OF THE PROFITS. IF ALL GOES WELL, TOTAL GOVERNMENT TAKE SHOULD RISE FROM AN ESTIMATED 1.2 MILLION POUNDS IN 1977 TO 10 MILLION IN 1978 AND 16 MILLION PER YEAR FROM 1979 TO 1999.

2. BROAD DETAILS OF GOVERNMENT/TARA AGREEMENT ARE AS FOLLOWS:

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A. MINISTRY WILL RECEIVE 25 PERCENT SHAREHOLDING IN TARA MINES

FREE OF CHARGE AND WITH FULL VOTING AND OTHER RIGHTS.

B. ROYALTY OF 4.5 PERCENT WILL BE PAID TO MINISTRY ON MINE PROFITS.

C. TAX AT NORMAL COMPANY RATE OF 30 PERCENT WILL BE PAID BY TARA.

D. TARA WILL PAY AN ANNUAL DEAD RENT OF 6,000 POUNDS AFTER TWO YEARS AND 35,000 POUNDS PER ANNUM IN CASE OF WORK STOPPAGE.

E. THE LEASE RUNS FOR 25 YEARS WITH PROVISION FOR EXTENSION.

F. THERE WILL BE A MAXIMUM EXTRACTION RATE WHICH SHOULD ENSURE THAT MINE IS IN PRODUCTION FOR AT LEAST 20 YEARS. HIGHER EXTRACTION RATE PERMITTED DURING INITIAL YEARS WHILE LOANS ARE BEING REPAYED.

G. TARA/ WILL SURRENDER TO GOVERNMENT SOME MINERALS WHICH IT OWNS PRIVATELY.

H. PROVISION IS MADE FOR SUPPLY OF CONCENTRATES FROM MINE TO IRISH ZINC REFINERY TO BE ESTABLISHED IN FUTURE.

I. MINISTER WILL APPOINT TWO DIRECTORS TO TARA BOARD OR 25 PERCENT OF BOARD MEMBERSHIP, WHICHEVER IS HIGHER.

3. LABOR UNIONS PARTICULARLY WELCOMED AGREEMENT SINCE IT ASSURES SPEEDY RETURN TO WORK OF 500 MEN LAID OFF LAST SEPTEMBER. MINE SITE HAS BEEN MAINTAINED SINCE THAT TIME SO THAT WORK MAY START WITHOUT DELAY.

4. ON QUESTION OF SMELTER, MINISTER KEATING SAID HE WAS COMMITTED TO DEVELOPING AN IRISH SMELTING CAPACITY, BUT NATURE OF STATE'S INVOLVEMENT NOT DECIDED.

5. WHEN ASKED IF TARA DEAL COULD BE TAKEN AS NORM FOR FUTURE MINING LEASES, KEATING REPLIED THAT HE WOULD ADOPT "GRADUATED PRINCIPLE BASED ON THE WEALTH ON THE MINE." EDITORIAL COMMENTATORS IN DUBLIN PRESS NOTED THAT TARA AGREEMENT HAS BROUGHT STATE UNCLASSIFIED

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CONSIDERABLE GAINS OVER TERMS OF PREVIOUS MINING LEASES AND THAT DECKS HAVE BEEN CLEARED FOR RAPID DEVELOPMENT OF THE MINE. AT THE SAME TIME, THEY NOTE THAT GOVERNMENT CAN APPROACH WITH RESTORED CONFIDENCE THE COMING ISSUE OF OFFSHORE OIL LICENSES.

6. COMMENT: THERE IS NO QUESTION THAT TARA AGREEMENT WILL SERVE AS PRECEDENT FOR FUTURE MINING LEASES IN IRELAND. THE EXTENT TO WHICH IT WILL SERVE AS PRECEDENT FOR OFFSHORE OIL LEASES IS LESS

CLEAR, BUT FACT THAT GOVERNMENT WILL RECEIVE ABOUT TWO THIRDS OF
TARA'S PROFITS WILL UNDOUBTEDLY SERVE AS REFERENCE POINT FOR ANY
FUTURE MINERALS NEGOTIATIONS, OFFSHORE OR ONSHORE.
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